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RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY

[*on the report of the Second Committee (A/54/585/Add.5)*]

54/202. Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

The General Assembly,

Recalling its resolutions 51/164 of 16 December 1996, 52/185 of 18 December 1997 and 53/175 of 15 December 1998 on enhancing international cooperation towards a durable solution to the external debt problems of developing countries,

Reaffirming the urgent need for further implementation in an effective, equitable and development-oriented way of existing mechanisms for the treatment of the external debt and debt-servicing problems of developing countries in order to help them to exit from the rescheduling process and unsustainable debt burdens,

Welcoming and emphasizing the importance of the efforts of debtor countries, despite the great social cost often involved, in pursuing economic reform, stabilization and structural adjustment programmes aimed at achieving stability, raising domestic savings and investments, attaining competitiveness to take advantage of market access opportunities where available, reducing inflation, improving economic efficiency and addressing the social aspects of development, including the eradication of poverty as well as the development of social safety nets for the vulnerable and poorer strata of their populations, and encouraging them to continue in these efforts,

Welcoming the debt initiative launched by the Group of Seven major industrialized countries at its meeting held in Cologne, Germany, from 18 to 20 June 1999, and the recent decisions of the International

Monetary Fund and the World Bank on the enhanced Heavily Indebted Poor Countries Debt Initiative, which should provide deeper, broader and faster debt relief,

Noting with great concern that one of the major obstacles to the speedy implementation of the enhanced Heavily Indebted Poor Countries Debt Initiative is financial constraints, stressing the need for fair, equitable and transparent burden-sharing among the international public creditor community and other donor countries, and in this regard stressing also that the Heavily Indebted Poor Countries Trust Fund must be adequately funded,

Welcoming the actions taken by creditor countries within the framework of the Paris Club and by some creditor countries through the cancellation and equivalent relief of bilateral debts,

Noting with concern the continuing debt and debt-servicing problems of heavily indebted developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating once and for all, where applicable, the onerous debt and debt-service burden with the aim of attaining a sustainable level of debt and debt service on the basis of an effective, equitable, development-oriented and durable approach, and, where appropriate, addressing the full stock of debt of the poorest and most indebted developing countries as a matter of priority,

Noting with great concern the continuing high debt burden borne by most African countries and least developed countries as exacerbated, *inter alia*, by the declining trend in many commodity prices,

Noting also with great concern that the recent financial crisis has aggravated the debt-service burdens of many developing countries, including low-income and middle-income countries, particularly in the context of meeting their international debt and debt-servicing obligations in a timely fashion despite serious external and domestic financial constraints,

Noting with concern that a growing number of highly indebted middle-income developing countries are facing difficulties in meeting their external debt-servicing obligations, owing, *inter alia*, to liquidity constraints,

Stressing that effective management of the debt of developing countries, including middle-income countries, is an important factor, among others, in their sustained economic growth and in the smooth functioning of the world economy,

Noting with great concern that the debt overhang of the heavily indebted poor countries still constitutes a problem hampering their development, and in this context emphasizing the importance of the full and speedy implementation of the enhanced Heavily Indebted Poor Countries Debt Initiative,

Stressing the need for evolving debt strategies to continue to address the debt sustainability of developing countries, and in this connection stressing also the urgent need for full and swift implementation of initiatives that will further assist developing countries, in particular the poorest and most heavily indebted countries, especially in Africa, in their efforts to improve their debt situation, in view of their continued very high levels of total debt stock and debt-service burdens,

Stressing also the need for continuing global economic growth and a continuing supportive international economic environment with regard to, *inter alia*, terms of trade, commodity prices, improved market access, trade practices, access to technology, exchange rates and international interest rates, and noting the continued

need for resources for sustained economic growth and sustainable development of the developing countries, in accordance with the relevant General Assembly resolutions and the outcomes of recent United Nations conferences,

Noting that mechanisms such as debt rescheduling and debt conversions alone are not sufficient to resolve all the problems relating to long-term debt sustainability,

Stressing the importance of a sound enabling environment for effective debt management,

Recognizing those efforts of the international community that contribute to effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, and emphasizing that the international community should consider further appropriate measures to that end,

1. *Takes note* of the report of the Secretary-General on recent developments in the debt situation of developing countries;[1]

2. *Recognizes* that effective, equitable, development-oriented and durable solutions to external debt and debt-service burdens of developing countries can contribute substantially to the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development, in accordance with the relevant General Assembly resolutions and the outcomes of recent United Nations conferences;

3. *Also recognizes* that the Cologne debt initiative and the recent decisions of the World Bank and the International Monetary Fund on the enhanced Heavily Indebted Poor Countries Debt Initiative contribute to achieving durable solutions to the external debt and debt-service burdens of the heavily indebted poor developing countries;

4. *Reiterates* the call for industrialized countries that have not yet contributed to the Enhanced Structural Adjustment Facility (now renamed Poverty Reduction and Growth Facility) and the Heavily Indebted Poor Countries Trust Fund to come forward immediately with their contribution;

5. *Notes* the agreement on the elements of a financing plan for multilateral development banks, and in this regard stresses the urgency of providing new and additional resources to secure adequate funding for an overall financing plan for the enhanced Heavily Indebted Poor Countries Debt Initiative, including in particular the Heavily Indebted Poor Countries Trust Fund in the context of equitable and transparent burden-sharing that would permit the Initiative to be launched and the delivery of debt relief to begin for those countries requiring retroactive relief and those expected to reach their decision points over the near term, without compromising the financing made available through concessional windows such as the International Development Association, and in this regard stresses the importance of applying the enhanced Initiative in those eligible countries that have already reached their decision and completion points within the framework of the previous Initiative;

6. *Also notes* that the so-called floating completion points approach offers the opportunity to shorten the time-frame for implementation of the Heavily Indebted Poor Countries Debt Initiative to countries that

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[1] A/54/370.

meet the necessary conditions so that debt relief can be provided faster than under the original heavily indebted poor countries framework, and in this regard urges speedy implementation of the approach and welcomes the flexibility that the enhanced Initiative provides in terms of interim assistance and front-loading of the delivery of debt to qualifying eligible countries;

7. *Stresses* the importance of implementing the Heavily Indebted Poor Countries Debt Initiative flexibly, including shortening the interval between the decision and completion points, taking due account of the policy performance of the countries concerned in a transparent manner and with the full involvement of the debtor countries;

8. *Notes* that there is now a possibility of expanding eligibility under the Heavily Indebted Poor Countries Debt Initiative to thirty-six countries, and in this regard looks forward to an early review of the list of heavily indebted poor countries;

9. *Stresses* the importance of considering increased flexibility with regard to Heavily Indebted Poor Countries Debt Initiative eligibility criteria, including continuously evaluating and actively monitoring the implication of existing terms of the eligibility criteria so as to ensure sufficient coverage of heavily indebted poor countries, increased flexibility being, in this context, particularly important for known borderline cases and countries in post-conflict situations, in respect of, *inter alia*, avoiding delays in the establishment of a track record of economic performance caused by temporary setbacks due to external shocks in order to help them to exit from the rescheduling process and from unsustainable debt burdens;

10. *Invites* the International Monetary Fund and the World Bank to continue to strengthen the transparency and integrity of debt sustainability analysis, and encourages the further commissioning of relevant independent studies on the debt problem of developing countries;

11. *Welcomes* the proposed framework for strengthening the link between debt relief and poverty eradication, and stresses the need for its flexible implementation, recognizing that, while the poverty reduction strategy paper should be in place by the decision point, on a transitional basis the decision point could be reached without agreement on a poverty paper, but that in all cases demonstrable progress in implementing a poverty reduction strategy would be required by the completion point;

12. *Emphasizes* that poverty reduction programmes as linked to the implementation of the enhanced Heavily Indebted Poor Countries Debt Initiative must be country-driven and in accordance with the priorities and programmes of countries eligible under the Initiative, and stresses the role of civil society in this regard;

13. *Stresses* the need for debt-relief initiatives to be guided by enhanced transparency and predictability, involving debtor countries in any review and analysis that is conducted during the adjustment period;

14. *Welcomes* the decision of those countries that have cancelled bilateral official debt, and urges creditor countries that have not done so to consider full cancellation of bilateral official debts of countries eligible under the Heavily Indebted Poor Countries Debt Initiative and, as appropriate, action to address the needs of post-conflict countries, in particular those with protracted arrears, developing countries affected by serious natural disasters and poor countries with very low social and human development indicators, including the possibility of debt-relief measures through, *inter alia*, the cancellation and equivalent relief of bilateral official debt, and stresses the importance of building coalitions with civil society organizations and non-governmental organizations in all countries to ensure in the shortest possible time the implementation

of pronouncements on debt forgiveness in order that countries eligible under the Initiative may quickly benefit from such pronouncements;

15. *Notes* that the multilateral debt-relief funds can have a positive impact in respect of assisting Governments in safeguarding or increasing expenditures on priority social sectors, and encourages donors to continue efforts in this regard in the context of the enhanced Heavily Indebted Poor Countries Debt Initiative;

16. *Stresses* the principle that funding of any debt relief should not affect adversely the support for other development activities in favour of developing countries, including the level of funding for the United Nations funds and programmes, and in this regard welcomes the decision of the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries (Development Committee) that financing of debt relief should not compromise the financing made available through concessional windows such as the International Development Association, and expresses its appreciation that certain developed countries have reached or even gone beyond the agreed target for official development assistance of 0.7 per cent of their gross national product, while at the same time calling upon other developed countries to fulfil this target for official development assistance as soon as possible;

17. *Expresses its appreciation* for the action taken by creditor countries of the Paris Club in December 1998 with regard to the debts of countries affected by hurricane Mitch, and in this regard reiterates the need for relief promises to come to fruition within the shortest possible time-frames in order to free the requisite resources for national reconstruction efforts, welcomes the decision of various countries to address the debt situation of Honduras and Nicaragua, including through cancellation of their bilateral official debt, and invites others to take similar action;

18. *Encourages* the international creditor community to consider appropriate measures in the case of countries with a very high level of debt overhang, including in particular low-income African countries, in order to make an appropriate and consistent contribution to the common objective of debt sustainability;

19. *Recognizes* the difficulties of highly indebted middle-income developing countries and other highly indebted middle-income countries in meeting their external debt and debt-servicing obligations, and notes the worsening situation in some of them in the context, *inter alia*, of higher liquidity constraints, which may require debt treatment including, as appropriate, debt-reduction measures;

20. *Calls* for concerted national and international action to address effectively debt problems of middle-income developing countries with a view to resolving their potential long-term debt-sustainability problems through various debt-treatment measures, including, as appropriate, orderly mechanisms for debt reduction, and encourages all creditor and debtor countries to utilize to the fullest extent possible, where appropriate, all existing mechanisms for debt reduction;

21. *Recognizes* the efforts made by indebted developing countries with regard to fulfilling their debt-servicing commitments despite the high social cost incurred, and in this regard encourages private creditors and, in particular, commercial banks to continue their initiatives and efforts to address the commercial debt problems of middle-income developing countries, in particular those affected by the financial crisis;

22. *Also recognizes* the need to continue to work with all creditors in order to facilitate continued access to international capital markets, and, in the event that extraordinary circumstances preclude a country from temporarily meeting its debt-servicing commitments, urges Governments to work with creditors in a transparent and timely fashion towards a workable resolution of the repayment problem;

23. *Further recognizes* the need to make the maximum use of existing debt-relief measures, including existing facilities to provide relief through various debt-conversion programmes, such as debt-equity swaps, debt-for-nature swaps, debt-for-child-development swaps and other debt-for-development efforts, as well as to support measures in favour of the most vulnerable segments of the societies of those countries and to develop techniques of debt conversion to be applied to social development programmes and projects, in conformity with the priorities of the World Summit for Social Development;[2]

24. *Stresses* that debt relief should contribute to development objectives, including poverty reduction, and in this regard urges countries to direct those resources freed through debt relief, in particular through debt cancellation and reduction, towards these objectives;

25. *Notes*, while recognizing the benefits of the liberalization of international capital flows, the adverse impact of the volatility of short-term capital flows on exchange rates, interest rates and the debt situation of developing countries, and stresses the need for coherence in implementing policies and for the liberalization of capital accounts in an orderly, gradual and well-sequenced manner to keep pace with the strengthening of the ability of countries to sustain its consequences so as to mitigate the adverse impact of such volatility;

26. *Also notes* that debt relief alone will not lead to poverty reduction, and in this regard emphasizes the need for an enabling environment as well as for an efficient, transparent and accountable public service and administration, and also emphasizes the urgency of securing an adequate level of funding support for debt relief, in particular the agreement for an overall financing plan for the enhanced Heavily Indebted Poor Countries Debt Initiative;

27. *Stresses* the need to strengthen the institutional capacity of developing countries in debt management, calls upon the international community to support the efforts towards this end, and in this regard stresses the importance of initiatives such as the Debt Management and Financial Analysis System[3] and the debt-management capacity-building programme;

28. *Reaffirms* the Mid-term Global Review of Progress towards the Implementation of the Programme of Action for the Least Developed Countries for the 1990s,[4] in particular the actions required in favour of those countries concerning their official bilateral, commercial and multilateral debts;

29. *Stresses* the need for new financial flows to debtor developing countries from all sources, in addition to debt-relief measures that include debt and debt-service reduction, and urges creditor countries and multilateral financial institutions to continue to extend concessional financial assistance, in particular to the least developed countries, in order to support the implementation by the developing countries of economic reforms and stabilization and structural adjustment programmes that will enable them to extricate themselves from the debt overhang and attract new investment and to assist them in achieving sustained economic growth and sustainable development, in accordance with the relevant General Assembly resolutions and the outcomes of recent United Nations conferences, and the eradication of poverty;

30. *Notes* the importance of providing adequate resources for debt-relief measures in the light of the adverse effects of the international financial crisis on the mobilization of both domestic and external

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[2] See *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8).

[3] The Debt Management and Financial Analysis System is a computerized system developed by the United Nations Conference on Trade and Development to assist developing countries and countries with economies in transition in developing appropriate administrative, institutional and legal structures for effective foreign and domestic public debt management. By June 1999, the system had been installed in the debt offices of fifty countries in Africa, Asia, Europe and Latin America and the Caribbean.

[4] Resolution 50/103, annex.

resources for the development of the developing countries, including those in Africa and the least developed countries;

31. *Stresses* the importance of trade to development, poverty alleviation and sustained global economic recovery, and in this regard emphasizes that multilateral trade negotiations should deliver early and substantial benefits to developing countries, in particular the least developed countries, as well as improve market access and further reduce barriers to trade;

32. *Also stresses* the importance for developing countries of continuing their efforts to promote a favourable environment for attracting foreign investment, thereby promoting economic growth and sustainable development, so as to favour their exit from debt and debt-servicing problems, and further stresses the need for the international community to promote a conducive external environment through, *inter alia*, improved market access, stabilization of exchange rates, effective stewardship of international interest rates, increased resource flows, access to international financial markets, flow of financial resources and improved access to technology for developing countries;

33. *Calls upon* the international community, including the United Nations system, and invites the Bretton Woods institutions, as well as the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s on development, as well as of the outcomes of review processes, in particular those related to the question of the external debt problem of developing countries;

34. *Requests* the Secretary-General to report to the General Assembly at its fifty-fifth session on the implementation of the present resolution and to include in his report a comprehensive and substantive analysis of the external debt and debt-servicing problems of the developing countries.

87th plenary meeting
22 December 1999